

TESTIMONY ON SENATE BILL 934
House Government Operations Committee

Gilda Z. Jacobs, President and CEO

May 21, 2014

Good afternoon, Chairman Lund and members of the committee. My name is Gilda Jacobs and I am President and CEO of the Michigan League for Public Policy. We are a nonpartisan research organization that advocates for state policies that help low-income individuals and families become self-sufficient. I thank you for the opportunity to speak on Senate Bill 934.

The Senate-passed increase in the minimum wage is a step in the right direction. However, at \$9.20, it does not go far enough to address poverty in the state. At this wage, a family of three would still be under the federal poverty line (\$19,790 in 2014). In comparison, an increase to \$10.10, as proposed by the minimum wage ballot campaign, would increase the annual earnings of low-wage workers by an average of \$2,256, and would lift a family of three above poverty by roughly \$1,220 in today's dollars.

Although modest, this increase can make real progress in addressing child poverty in Michigan, which currently stands at 25% (two percentage points above the national average). Studies show that, for every \$1,000 in additional annual household income, children's academic achievement also increases by a modest but significant amount. A \$3,000 boost in household income increases a child's academic achievement by the equivalent of two extra months of school. As you know, education is key to climbing out of poverty, and we should be doing all we can to give our low-income children a chance to succeed in life. Increasing the wage to \$10.10 would benefit roughly 190,000 low-wage parents, who raise approximately 15% of the total child population in the state.

Raising the wage to \$10.10 would be much more efficient in decreasing poverty than an increase to just \$9.20. In a recent report, the Congressional Budget Office found that nationwide, 900,000 people would be lifted out of poverty if the wage was increased to \$10.10. This report does not break down the number by state, but other studies suggest the anti-poverty effects of this type of wage:

- Food assistance enrollment would decrease between 112,000 and 129,000 in Michigan, saving the state \$205.4 million, just in food stamps.
- If we look at fast food workers alone – who typically earn wages that are exactly at, or slightly above the minimum wage – an increase to \$10.10 would decrease these workers' need for public assistance (including healthcare) and generate savings to the state to the tune of \$251 million.

Another concern I have is that SB 934 leaves tipped workers behind. This bill increases the tipped wage to \$3.50 by 2017, a wage that amounts to just \$7,280 in base pay. The inadequacy of the tipped wage is problematic, in great part because it disproportionately affects women and is a significant contributor to the gender wage gap. In Michigan two out of every five low-income working families are headed by women. Yet, women in the state earn just a fraction of what their male counterparts earn. Michigan has the seventh-widest gender wage gap in the country, with women earning just \$0.74 for each \$1 a man makes. One of the biggest contributing factors to the gender wage gap is that women are more likely than men to work in low-wage jobs – particularly in the restaurant industry, where they make up 70% of the share of restaurant workers.

If the tipped wage is not increased to be on par with the regular minimum wage, we will not make much headway in closing this gender wage gap, or in addressing poverty in female-headed households.

A final concern that I have with SB 934 is that it deprives the public of a chance to weigh in on this issue. As you are aware, over 258,000 signatures have been collected from Michigan voters to put the issue of increasing the minimum wage up for a referendum. This ballot petition would amend the current law, the “Minimum Wage Law of 1964,” to increase the standard wage \$10.10 in three steps, and an increase of just \$0.85 per year to the tipped wage.

Senate Bill 934 would nullify those efforts by repealing that statute, therefore invalidating those efforts, rendering moot the support of over 258,000 Michigan voters, and depriving them of the opportunity to make their voices heard.

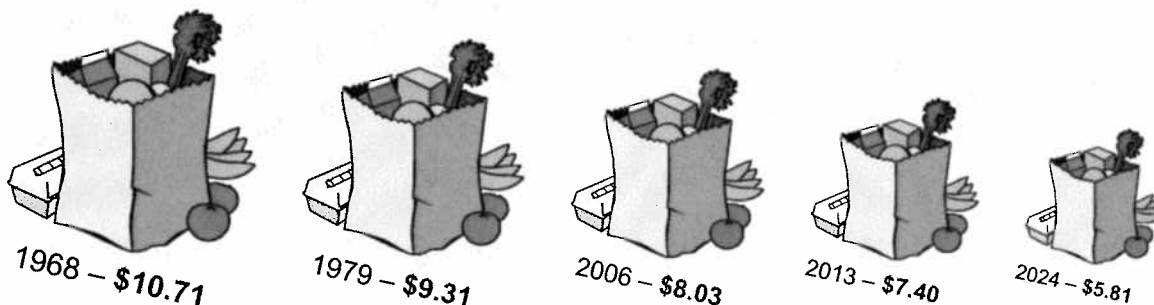
Regardless of how each of us personally feel about increasing the wage, it is imperative, for the sake of our democracy, and for the sake of transparency in our government, that we give voters a chance to have a say on this issue. This is the right thing to do.

Thank you for your time.

Raising the Minimum Wage: Good for Families, Good for Michigan

A modest increase in the state minimum wage would boost the incomes of nearly 1 million Michigan workers, allow them and their families to afford the basic necessities, raise many struggling households above the federal poverty line, and likely increase economic activity in the state. Indexing the minimum wage to inflation would protect its value from being eroded and prevent hard working families from falling into poverty as the cost of living increases over time.

Purchasing Power of the Minimum Wage



Compared with 1968, minimum wage earnings no longer prevent poverty.

In 1968, when the value of the minimum wage was at its highest, full-time, year round minimum wage earnings were enough to keep a family of three above the poverty threshold (\$16,057 for a family of two and \$18,769 for a family of three in 2013 dollars). Because this wage had not been indexed to inflation, however, its value declined quickly. By 1980, it could only keep a family of two from falling into poverty, and by 1984 it was no longer enough to keep even a single parent and a child above the poverty threshold.

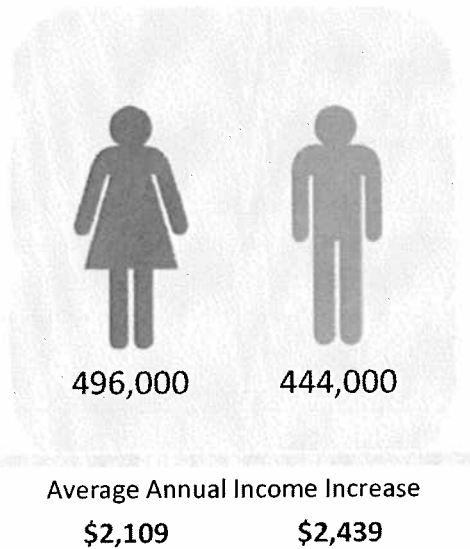
Benefits of Raising the Minimum Wage

A number of well-regarded studies suggest that raising the minimum wage has little to no negative employment effect. In fact, raising the minimum wage to \$10.10 per hour and indexing it to inflation could create a modest number of jobs, and could even increase the state's economic activity by billions of dollars.

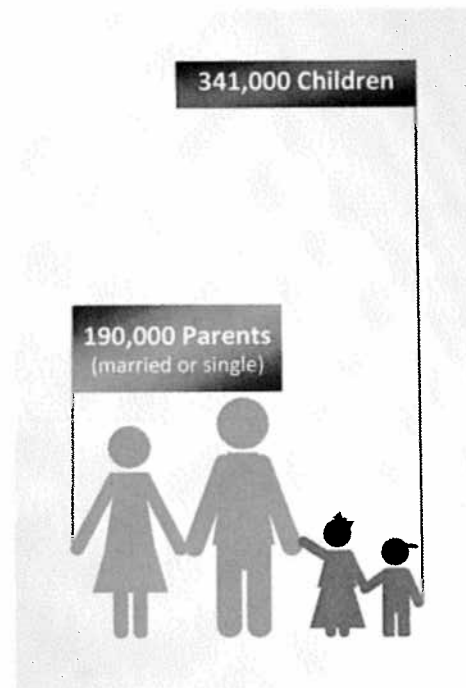
	3,300	Full-time jobs created
	\$1.4 billion per year	Total wage increase
	\$2,256	Average increase in annual incomes
	\$886 million over 3 years	Boost to state's economy

Workers Who Would Benefit

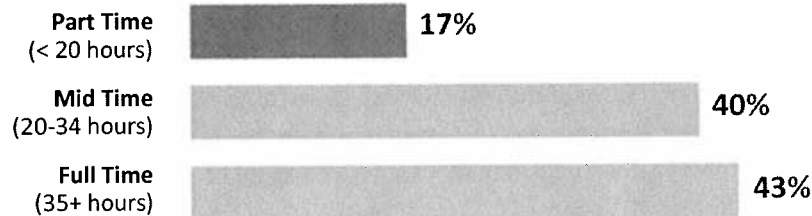
Gender



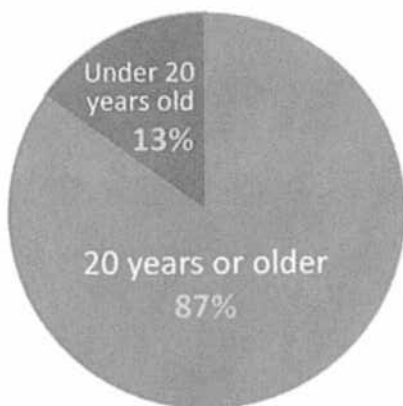
Families



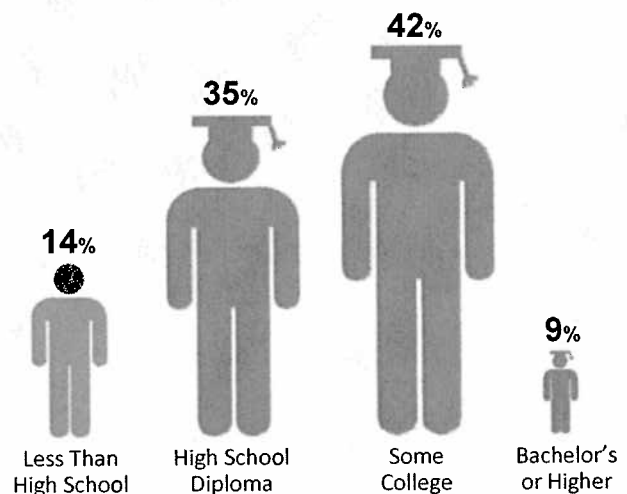
Hours Worked



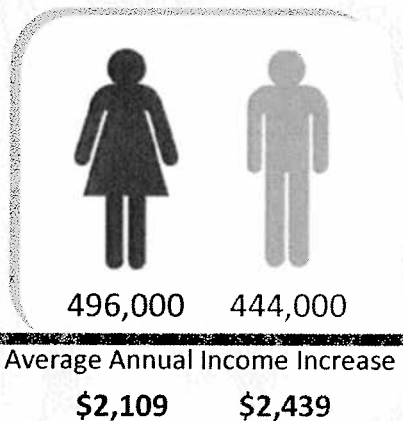
Age



Education



Raising the Minimum Wage Helps Women, Promotes Pay Equity



Raising Michigan's minimum wage to \$10.10 would benefit nearly 1 million workers of both genders. Women make up a larger share of low-wage workers in the state, so they would benefit in greater numbers than men.

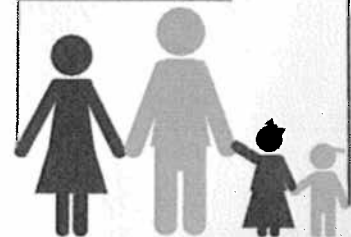
Increasing wages benefits families and improves children's economic future. One of the benefits of this investment is the long-term viability of communities and local economies.

2 in 5
low-income
working families
in Michigan are
headed by
women.



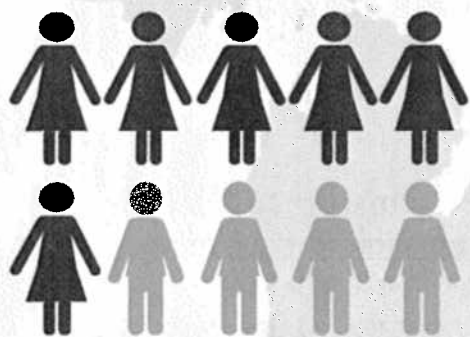
341,000 Children

190,000 Parents
(married or single)



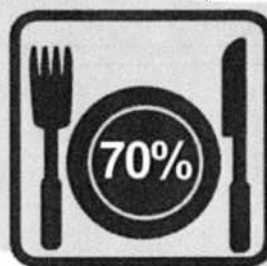
In Michigan, over 20% of low-wage workers who would benefit from an increase are parents. They raise 15% of the total child population in the state.

Increasing the minimum wage would help narrow the wage gap that continues to plague women – particularly women of color – in the state and around the country.



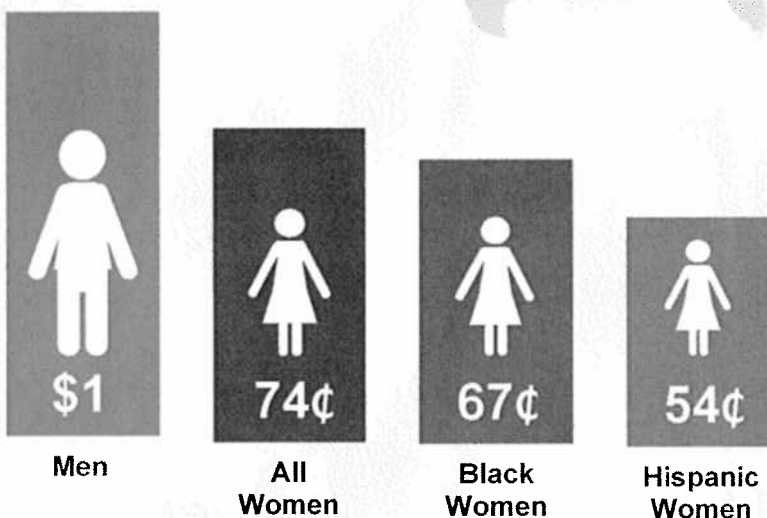
Minimum Wage Workers

Women's wages continue to lag behind men's. One reason for this is that women are more likely than men to work in low-wage jobs. This trend is most pronounced in the restaurant industry, which has one of the highest concentrations of low-wage jobs in the private sector.



Share of Restaurant Workers Who Are Women

Michigan has the Seventh-widest gender wage gap in the country, with women earning only three-fourths of what men earn. This disparity is even larger for women of color.



Raising the regular and tipped minimum wages and indexing both to the cost of living is good for women. It will not only help many female-headed households make ends meet, but will also help address some of the gender-based disparities that continue to set women back, particularly low-wage minority women.